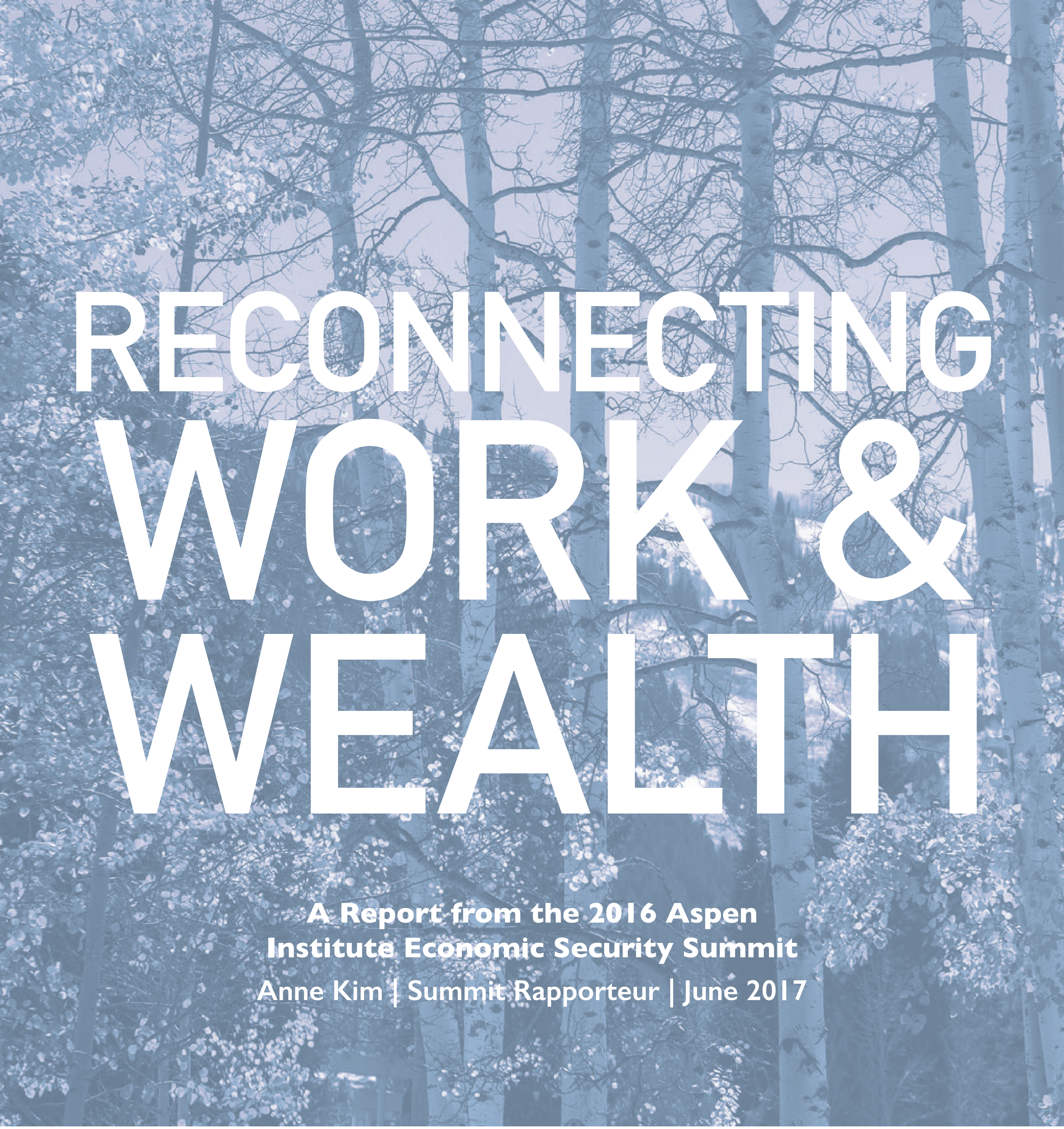

RECONNECTING WORK & WEALTH

A Report from the 2016 Aspen Institute Economic Security Summit

Anne Kim | Summit Rapporteur | June 2017

THE ASPEN INSTITUTE
ECONOMIC SECURITY SUMMIT

FORWARD AND ACKNOWLEDGEMENTS

For the first time in 2016, two of the Aspen Institute's policy programs—the Financial Security Program (FSP) and the Economic Opportunities Program (EOP)— joined forces to craft a new, vibrant conversation exploring how critical changes over the past decade have re-shaped both labor and financial markets, leaving families ever more vulnerable. The result was the first annual Economic Security Summit which took place October 18–20, 2016 in Aspen, Colorado. Under the "Reconnecting Work and Wealth" theme, the Summit was an opportunity for leaders from industry, academia, philanthropy, government, and non-profit organizations to grapple with challenges that undergird growing levels of financial insecurity, income, and wealth inequality in America. Through an intense and expansive dialogue that unfolded over two and a half days, participants found common ground, made connections, and explored new solutions to these pressing issues.

Given the intertwined nature of household financial and employment challenges, and the ways that these compound problems destabilize families, communities, and even the larger economy and democracy, leaders can no longer be content to focus on partial solutions or explore ideas in siloed discussions. The Summit was an ambitious and forward-looking effort to craft a cross-sector, inter-disciplinary dialogue where participants grappled with the multiple economic forces whose compounding effects are destabilizing many American households. By weaving together economics and values, business and finance, culture and policy, the Summit stimulated a dynamic discussion between thought-leaders from different sectors and political vantage points who are invested in finding workable solutions to America's economic security crisis. Participant contributions from this Summit have been essential in shaping the joint programing of the Aspen Institute's Reconnecting Work and Wealth Initiative. This report incorporates these insights and provides an outline for future policy dialogue and directions.

The Aspen Institute wishes to acknowledge and thank Prudential and the Ford Foundation for supporting the 2016 Summit. We thank Anne Kim, policy editor of the Washington Monthly and a senior fellow with FSP, for serving as Summit rapporteur and writing this report. We asked Anne to capture not just the Summit's proceedings, but also the conclusions it helped us draw about the most pressing employment and financial security challenges facing American families and the most promising policy responses. It was a tall charge, but Anne proved herself more than up to the task. Please note, however, that the result is a document that draws on, but does not necessarily reflect, the view of each of the Summit participants.

We also want to thank EOP and FSP's talented and dedicated staff—Joyce Klein, Jeremy Smith, Joanna Smith-Ramani, Pamela Horn Hall, David Mitchell, Kiese Hansen, Claire Daviss, Katie Bryan, and Claire Garvin— for their essential work organizing and documenting the Summit, contributing to the debate, and editing and coordinating the production of this report.

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INTRODUCTION

For decades, the fundamental premise of the American social compact has been that by working hard and playing by the rules, families can acquire the wealth they need to achieve the milestones of middle-class success: homeownership, some savings in the bank, a college education for their children, and a comfortable retirement.

In recent years, however, this connection between work and wealth has become increasingly frayed. Although Americans are among the most productive people in the world, they are seeing a diminishing share of the returns from their efforts. "Despite strong economic growth over the past several decades, worker earnings have not increased and the majority of households are not better off economically," wrote Maureen Conway, Aspen Institute vice president and executive director of the Economic Opportunities Program.[1] "Indeed, many are undeniably worse off." Household incomes, for example, have been largely stagnant for decades; in 2015, median household income was only $6 higher than it was in 1998, according to data from the United States Census Bureau.[2]

As one result, the traditional hallmarks of financial stability have proven increasingly elusive for American families. Homeownership rates — and first-time homebuyer rates in particular — remain low by historic standards, and the vast majority of American families are woefully underprepared for retirement.

Dramatic shifts in the labor market have contributed to this decline in household financial security. Workers today face an array of emerging economic challenges — volatility in wages and scheduling, job insecurity, vanishing pensions, unaffordable housing, and rising health care and education costs — that are eroding traditional pathways to financial security.

"We haven't figured out how to create more deeply shared prosperity within the context of capitalism and rapidly changing labor and financial markets," said Ida Rademacher, executive director of the Institute's Financial Security Program.

In October 2016, the Institute's Financial Security Program and the Economic Opportunity Program jointly convened the 2016 Economic Security Summit to explore the unraveling of linkages between work and wealth and its impact on household economic security. Notably, the Summit took a unique cross-sectoral approach, bringing together experts in workforce, labor market, and income security with those in savings and consumer finance to catalyze new thinking and bridge what has been the compartmentalization of policy development around work and wealth. "While policymakers have all too often separately considered these issues, these issues of work and wealth are intertwined. Families experience the changing nature of work and the challenge of earning an income as well as the struggle to build savings and plan for the future as inter-related parts of their full economic lives," said Conway. The Economic Security Summit sought to encourage the development of a new policy paradigm toward work and wealth by modeling a holistic approach to policy discussion that mirrors the experience of American households. "Our challenge is to explore frontier areas and bring together not just two issues, but to create a bipartisan, cross-industry, cross-sectoral conversation," said Rademacher.

This high-level gathering included a diverse array of thought leaders from industry, academia, government, policy, advocacy, journalism, and philanthropy, including among others former US Secretary of Labor Thomas Perez, former Chairman of the White House Council of Economic Advisors Jason Furman, Director of Institution for Social and Policy Studies at Yale University Jacob Hacker, CEO of Demos Heather McGee, former Congressman and Director of the Aspen Institute-Rodel Fellowships in Public Leadership Mickey Edwards, CEO of Care.com Sheila Marcelo, and author of the best-selling memoir Hillbilly Elegy J.D. Vance.

The following were among the key questions discussed at this Summit:

- Can traditional paths to the middle class be restored, or should there be new routes to economic mobility and financial security?
- How can innovations in financial markets intersect with policy reforms to improve the well-being of vulnerable American families?
- How can the rules governing labor markets support both the success of working people and the innovation that drives business success?
- What are the fundamental elements of a new 21st century social compact?

Despite strong economic growth over the past several decades, worker earnings have not increased and the majority of households are not better off economically.

—Maureen Conway
Aspen Institute Vice President and Executive Director of the Economic Opportunities Program

- How can business, government, the social sector, and individual citizens contribute to creating the conditions for shared prosperity?

THE DISCONNECTION OF WORK AND WEALTH

How have work and wealth become disconnected, and what are the risks this disconnection poses to the nation's economic and social well-being?

Summit participants identified a number of ways in which the value of work has eroded, driven by dramatic changes in the labor market as a result of globalization and technology.

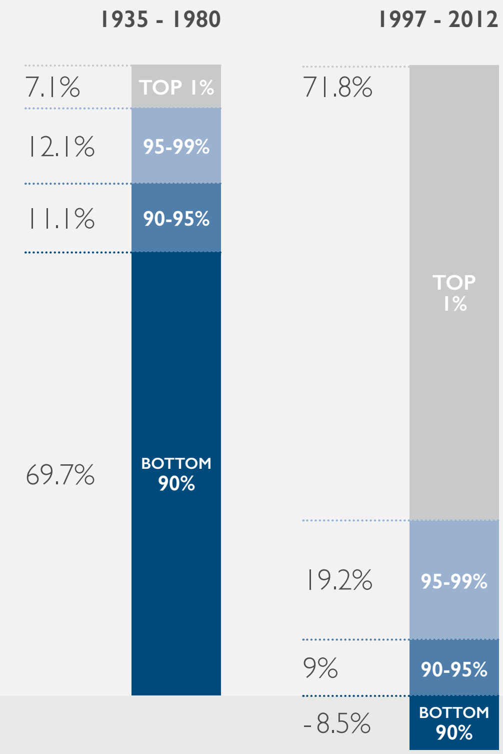
One important trend identified at the Summit is **wage stagnation**. As Perez noted in one session, "Middle-class jobs stopped being middle-class jobs."[3] Compared with the boom of the late 1990s, wage growth for the typical American worker has remained sluggish, despite aggregate economic growth.[4] Instead, the gains from economic growth over the past several decades have largely accrued to the benefit of households at the top of the economic ladder. According to Damon Silvers, director of policy and special counsel at the AFL-CIO, from 1997 to 2012, 72 percent of the gains from growth accrued to the top 1 percent of earners while incomes for the bottom 90 percent fell $2,868.[5] At the same time, Silvers said, the share of employees covered by collective bargaining agreements has declined dramatically.

A second major trend identified in the discussion is household **financial volatility**, both with respect to the incomes that workers receive and the expenses they face. In their new book, The Financial Diaries: How American Families Cope in a World of Uncertainty, Rachel Schneider of the Center for Financial Services Innovation and Jonathan Morduch of New York University note that this volatility is especially acute among families near or below the federal poverty level. The households included in Schneider and Morduch's study experienced five months out of the year when either income or expenses deviated more than 25 percent from the average.[6]

A principal source of this volatility, mentioned throughout the Summit, is unpredictable work and pay. As the Institute's Expanding Prosperity Impact Collaborative (EPIC) found, "Over 40% of Americans who report variable monthly income blamed an irregular work schedule for the swings."[7] An increasing share of the workforce, for example, now comprises contingent workers — people joining the "gig" economy of on-demand services such as Uber and Lyft, and freelance work and temporary and part-time work of all kinds. A Government Accountability Office study cited by one Summit participant estimates that more than a third of US workers fell into one of these categories in 2010, depending on how these nontraditional arrangements are defined.[8]

A third way in which work and wealth have been disconnected is diminished access to employer-sponsored **benefits** such as health insurance, workers' compensation, paid leave, and

Contributions to Income Growth



From 1997-2012, the bottom 90th percent of income fell* *$2,868***

Source Fieldhouse, Andrew. "Rising Income Inequality and the Role of Shifting Market-Income Distribution, Tax Burdens, and Tax Rates." 14 Jun. 2013. EPI Issue Brief #365, 14 Jun. 2013. http://www.epi.org/files/2013/Fieldhouse-Inequality.pdf

retirement savings. In March 2016, according to the Bureau of Labor Statistics, 49 percent of private-sector workers were participating in an employer-sponsored retirement plan,[9] while 39 percent of private-sector workers had the benefit of employer-sponsored short-term disability insurance.[10] Summit participants also noted that access to these benefits is unequal. For example, while two-thirds of the top 10 percent of earners have access to short-term disability insurance, fewer than one in five of the bottom 25 percent of earners has access to the same benefit.[11]

Among the consequences of this disconnection between work and wealth is greater vulnerability to unexpected financial shocks, as well as increased income and wealth inequality. As Jamie Kalamarides, head of full service solutions, Prudential Retirement noted, the Federal Reserve's 2015 survey of household economic well-being found that 46 percent of adults said they don't have the resources to cover an unexpected expense of $400 without selling something or borrowing money.[12] "Almost half the population is on the edge of economic

DEBTS FROM FINES AND FEES

For an increasing number of Americans, particularly those of low and moderate income, a newly recognized source of debt is fines and fees owed to states and localities for everything from parking tickets to court costs.

In addition to the burden of municipal debt — and the threat of incarceration — the failure to pay fines and fees has other direct consequences on an individual's economic stability and employment prospects. "Four million Californians have had their driver's licenses suspended because they cannot afford to pay traffic fines and fees," said Anne Stuhldreher, the director of financial justice for the City and County of San Francisco. In car-centric California, the loss of a car is crippling for workers. Moreover, these costs include not just court fees but fees charged when a person's car is towed, fees charged to pretrial defendants for ankle bracelets and drug tests, and fees charged to the parents of underage defendants for juvenile court services.

insecurity," he said. One consequence of this insecurity, cited by several participants, is increased exposure to debt and predation.

Several Summit participants argued that the failure of wages to keep pace with increases in economic productivity has also been a prime contributor to rising inequality. As wages have stagnated and workers have failed to capture their share of the economy's growth, opportunities to save and build wealth have also declined. Although families today are working as hard as ever, their path to a middle-class standard of living has become increasingly unreliable. According to Ray Boshara, director of the Center for Household Financial Stability at the Federal Reserve Bank of St. Louis, median real net worth for the typical American household was 4.8 percent lower in 2013 than it was in 1989, even as the overall economy was growing.[13]

The erosion of the rewards from work has been disproportionately severe for minority households, who also have less access to what researcher Thomas Shapiro of Brandeis University calls "employment capital." These are the aspects of a job beyond wages — such as benefits, job flexibility, and consistent work — that enable families to build and preserve wealth.[14] Many Summit participants expressed concern over the widening "racial wealth gap," one consequence of this disparate access to employment capital. Research by Dedrick Asante-Muhammad, director of the Racial Wealth Gap initiative at CFED, found that over the past 30 years, the average wealth of white households has grown by 14 percent while Latino wealth has declined by 50 percent and African-American wealth has declined by 75 percent.[15] By 2043, CFED further found, the wealth gap between the average white and black household will have grown from $500,000 in 2013 to more than $1 million.

CLOSING THE DIVIDE BETWEEN WORK AND WEALTH

A key goal of the 2016 Economic Security Summit was to consider the ways in which work and wealth have become disconnected and to explore ideas for addressing this divide. Summit participants discussed the experience of working families, and opportunities for work to lead to a measure of wealth in today's economy. In addition, the Summit encouraged participants to think across policy divides by, for example, encouraging those accustomed to focusing on the policies that govern savings and wealth building to participate in conversations about the public policies that promote work and earning, and vice versa.

The purpose of the Summit was not to arrive at a consensus position, but rather to address persistently challenging issues in a new frame in order to generate fresh ideas and potential

We haven't figured out how to create more deeply shared prosperity within the context of capitalism and rapidly changing labor and financial markets.

—Ida Rademacher
Executive Director of the Institute's Financial Security Program

avenues for reconnecting work and wealth. The Summit conversation addressed three broad thematic approaches to reconnecting work and wealth: (1) the creation of better-quality jobs, (2) new models of capitalism and social insurance, and (3) a broadly inclusive financial market that better meets households' needs. A number of participants noted the importance of policies that maintain a backdrop of continued and inclusive economic growth. But as Jared Bernstein, senior fellow at the Center on Budget and Policy Priorities, noted, "In an era of rising inequality, growth is necessary but it is not sufficient to raise the living standards of most families."

Middle-class jobs stopped being middle-class jobs.

—The Honorable Thomas E. Perez
Secretary, US Department of Labor

Better Quality Jobs

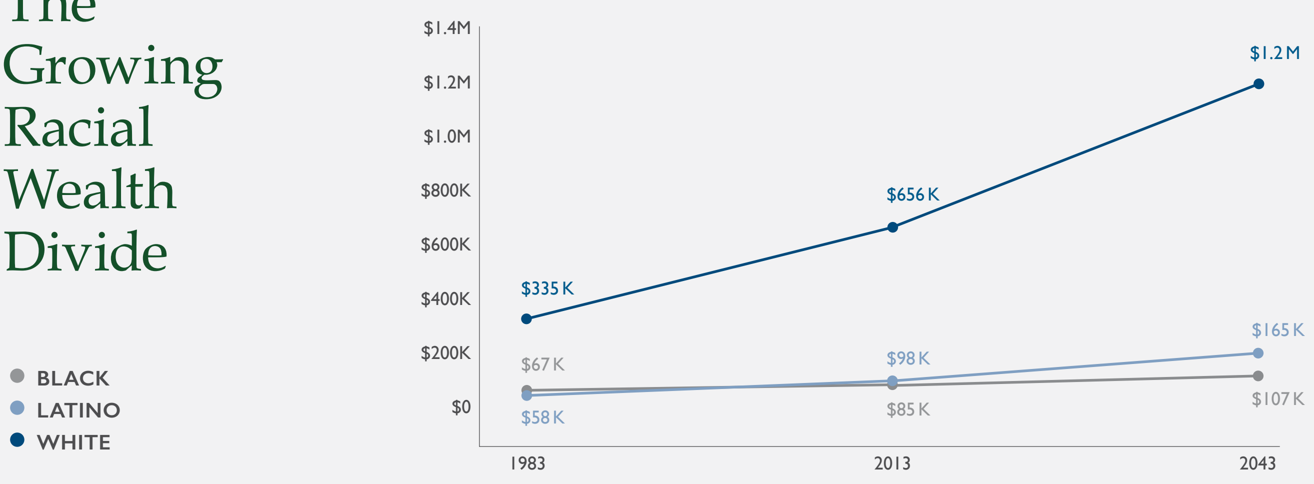
Several participants cited the need for more and better-quality jobs — jobs with benefits, adequate worker protections, livable wages, and opportunities for promotion. Many noted that despite the growth in high-skilled jobs, many jobs offer wages that are insufficient to provide economic security or options to build wealth. Conway, for example, noted that 42 percent of workers earn $15 per hour or less.

One major area of concern at the Summit was the lack of support in many workplaces for employees — predominantly female — who are faced with caregiving responsibilities. For example, Anna Wadia, a member of the Ford Foundation's Inclusive Economies team, cited the heavy toll faced by low-income workers in particular if they face a caregiving emergency. Others highlighted the high cost of child care as a burden on workers. Marcelo pointed to research conducted by Care.com and the New America Foundation finding that the average annual cost of day care is $9,589 — more than the current average cost of in-state college tuition.[16]

Summit participants identified several potential strategies for improving job quality, such as state and local legislation to increase the minimum wage and mandate paid leave. Roosevelt Institute Fellow Dorian Warren, for example, noted that 28 states and the District of Columbia have taken action to raise the minimum wage. "Social unrest is being channeled into civil action to regulate labor markets at the local level," Warren said.

Innovative solutions emerging in worker organizations are another potential strategy. The National Guestworker Alliance[17] and The Workers Lab,[18] a 2-year-old accelerator funded by the labor movement, aim to mobilize workers in new ways, including through the use of technology as a platform and as a lever. The National Guestworker Alliance, which is dedicated to representing day laborers and migrant workers, relies on collective action through grassroots campaigns and social media as well as strategic litigation to promote the right of workers to organize, according to Executive Director Saket Soni. Carmen Rojas, CEO of The Workers Lab, said the efforts being incubated by her organization include an initiative to provide for the real-time reporting of worker safety violations and the Better Builder Project,[19] a Texas program that certifies development projects that create "safe, high-quality jobs." The goal of these

The Growing Racial Wealth Divide



Source Asante-Muhammad, Dedrick, et al. "The Ever-Growing Gap: Without Change, African-American and Latino Families Won't Match White Wealth for Centuries." CFED, August 2016. http://cfed.org/policy/federal/The_Ever_Growing_Gap-CFED_IPS-Final.pdf

Above Catherine Rampell, Opinion Columnist, The Washington Post and the Honorable Jason Furman, Chairman, White House Council of Economic Advisers **Below (from left to right)** J.D. Vance, Author of Hilbilly Elegy, and Principal, Mithril Capital Management, LLC; Jacob Hacker, Director, Institution for Social and Policy Studies, Yale University; Heather McGhee, President, Demos; Stan Greenberg, Chairman and CEO, Greenberg Quinlan Rosner Research; and Mickey Edwards, Director, Aspen Institute-Rodel Fellowships in Public Leadership, the Aspen Institute.

Almost half the population is on the edge of economic insecurity.

—Jamie Kalamarides
Head of Full Service Solutions, Prudential Retirement

innovations, said Rojas, is to "get a better understanding of how technology can be leveraged and used in service of workers."

Summit participants also discussed ways in which the private sector can be incentivized to improve job quality. For example, Sarah Keh, director of corporate giving at Prudential Financial, noted the growing movement in "benefit corporations" or "B Corps" — companies that follow a "triple-bottom-line" approach of pursuing profit, social good, and environmental stewardship. While many B Corps are small businesses, certified B Corps also include such well-known companies as Etsy, another Summit participant.[20]

Employers such as Wal-Mart are also experimenting with innovative "earn and learn" models that integrate on-the-job training with internal advancement. For example, Wal-Mart's internal "academies" include over 100 training facilities that are co-located with Wal-Mart stores for ease of access by employees. Wal-Mart expects to have 200 academies open by the end of 2017 and to train over 225,000 of its associates. The company also offers a "Pathways" program for entry-level workers that focuses on "soft" skills and workplace readiness. "This embodies a focus for the company where frontline work is thought of as an investment and an asset," said Julie Gehrki, vice president of the Wal-Mart Foundation. Another outcome, she added, is that Wal-Mart's investment to raise wages has had a "market-moving" effect, prompting competitors to take on similar initiatives.

New Models of Capitalism and Social Insurance

Summit participants discussed whether new models of capitalism and social insurance could provide workers with a greater share of the benefits from the fruits of a growing economy and better protect them from the turbulence of economic change. Participants suggested approaches that differed in being geared toward either improving the economy's "primary distribution" – wages and other income – or focused on redistribution via taxes and government spending. New models of capitalism and efforts to improve job quality are designed to raise incomes and/or wealth directly, whereas new forms of social insurance (or reforms to existing programs and tax policies) seek to curtail overly harmful outcomes for income and wealth inequality. Both approaches are needed as part of a broad effort to reconnect work and wealth.

One potential strategy in the former category, said David Madland, senior fellow and senior adviser to the American Worker Project at the Center for American Progress, is to expand opportunities for worker ownership of an enterprise, which can give workers a psychological stake in their work and provide an effective avenue for building wealth. Madland's research finds that companies offering employee ownership typically pay higher wages, are four times more likely to have defined-benefit pension plans, and are five times more likely to offer a 401(k).[21] Employee ownership can benefit companies as well, Madland said. "Research shows that you can boost productivity when workers' [efforts] are applied to the organization as whole," he said.

The new models of social insurance discussed at the Summit included ideas such as wage insurance and children's savings accounts, as well as the concept of "portable," "prorated," and universal benefits. One framework, developed by the Institute's Future of Work Initiative and described by initiative adviser Natalie Foster, proposes that workers keep their benefits as

We have to think differently about sharing risk than before. Who bears the risk of owning assets? We've over-individualized that risk. A central idea of the 21st century compact is to pool the risk of asset loss, just as we now pool the risk of income loss.

—Ray Boshara
Senior Advisor and Director, Center for Household Financial Stability, Federal Reserve Bank of St. Louis

AN INNOVATIVE APPROACH TO RE-ENTRY

Roughly 650,000 individuals are released from the nation's prisons every year, according to the Department of Justice. Many of them will have trouble finding jobs when they re-enter society, increasing the likelihood of recidivism.

In North Lawndale, a neighborhood located on the west side of Chicago, Summit participant Brenda Palms Barber, CEO of Sweet Beginnings LLC, has launched an innovative social enterprise to help these re-entering workers connect to jobs and build work experience: a company that sells honey and honey-infused skin products.

Barber, who is also the executive director of the North Lawndale Employment Network (NLEN), said she founded beelove™ (www.beelovebuzz.com/#beelove) after discovering that traditional workforce development programs were not sufficient, or incentivized, to help individuals find employment in North Lawndale, where the official unemployment rate is greater than 20 percent, more than half of residents have been engaged with the criminal justice system in some way, and major nearby employers are reluctant to hire individuals with a criminal justice history. Creating a social enterprise also changed businesses' perception of NLEN. "Business leaders were seeing [us] not as a social services agency but as a business as well."

beelove employees maintain a network of urban beehives in and around Chicago from which they harvest the honey to manufacture the company's products. Employees also work in all other aspects of the business. Barber said working at beelove builds a variety of valuable skills — including skills in sales, marketing, and product development — that make beelove's returning-citizen employees attractive to other employers.

Left to right
Brenda Palms Barber, Executive Director, North Lawndale Employment Network;
J.D. Vance, Author of Hillbilly Elegy, and Principal, Mithril Capital Management, LLC;
Ramesh Ponnuru, Senior Editor, National Review;
Sheila Marcelo, Founder, Chairwoman, and CEO, Care.com

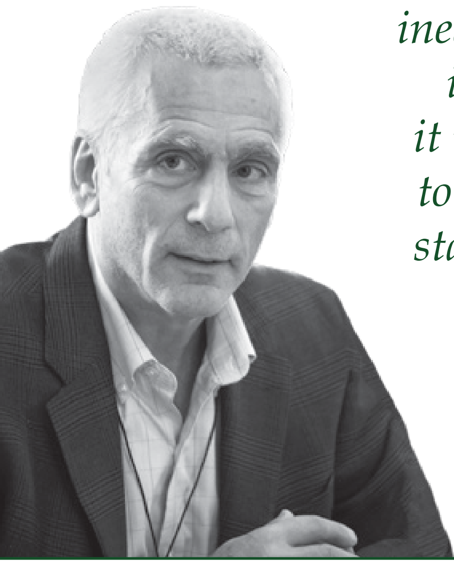
According to NLEN's website (www.nlen.org/employers/sweet-beginnings/), beelove has employed more than 400 men and women since 2008, and the recidivism rate among former employees has been 8 percent or less, compared with the statewide rate of 55 percent. "It's changed the narrative about the community," Barber said. "We have turned having a good heart into a good business."

they move from job to job, that workers with multiple sources of income receive prorated contributions toward their benefits from each of their employers, and that independent contractors and traditional employees have access to the same suite of benefits. One existing example of this model cited by Foster is New York state's Black Car Fund, which helps provide workers' compensation coverage to about 33,000 for-hire drivers who otherwise do not have access to traditional workers' compensation benefits.[22] An alternative option, described by Althea Erickson, global policy director of Etsy, is to create a Federal Benefits Portal that would allow all workers to view, enroll in, and manage the benefits for which they are eligible. As proposed in a white paper by Etsy, this portal would also serve as the mechanism for handling individual and employer contributions to benefits and could provide a platform for add-on services such as tax preparation and bookkeeping help.[23]

Another approach discussed was what Marcelo called "conscious capitalism" — businesses seeking profit while in service to the greater good. For example, Marcelo said, Care.com has partnered with the National Domestic Workers Alliance and supported a domestic workers bill of rights in seven states, including Illinois, New York, Connecticut, and Massachusetts. The company also launched a first-of-its-kind benefits platform that gives caregivers on Care.com access to health and dental coverage and lets them earn even more toward benefits through a "pooled, portable, peer-to-peer" Benefit Bucks program paid for by employer family contributions.

Shané Harris, vice president of corporate giving at Prudential, said she believes that more businesses will come to see this approach to conducting business not as a sacrifice but as a boon to their bottom line. "Business leaders will see the commercial benefit of managing their workforces in a different way," Harris said.

Summit participants also discussed the pros and cons of universal basic income (UBI) as a potential way to improve the opportunities and standard of living available to workers, especially those whose livelihoods have been displaced by automation or by trade or whose options have been otherwise limited by circumstance. While some saw UBI as a necessary addition to the nation's safety net, others expressed concern over its cost and political feasibility.



In an era of rising inequality, growth is necessary but it is not sufficient to raise the living standards of most families.

—Jared Bernstein
Senior Fellow, Center on Budget and Policy Priorities

A Broadly Inclusive Financial Market That Better Meets Households' Needs

Another potential strategy discussed at the Summit for reconnecting work and wealth is to develop new financial tools that can help households better manage income volatility and provide greater access to mechanisms for short- and long-term savings. "Clearly, incomes need to rise, but we also need to make it easier for workers to accumulate wealth," said Madland.

Financial innovation, when structured in service of solving the pressing financial challenges of consumers, can offer a range of new options and benefits, said Gary Koenig, vice president of financial security for AARP's Public Policy Institute, by making information more accessible and actionable by consumers, by connecting people to better products and services, and by making it easier and more seamless to build savings and plan financially. Participants discussed two specific mechanisms under which this innovation can occur: through private-sector-led innovation in the types of financial products available to consumers in the marketplace and through new regulatory frameworks and incentives that allow savings for different purposes.

Among the top priorities identified at the Summit is improving access to retirement savings options, particularly for workers in small businesses whose employers do not provide retirement benefits and for contingent workers who also lack easy access to retirement savings options. For example, participants lauded the efforts of states, led by California, Connecticut, Maryland, Illinois, and Oregon, that are expanding coverage by launching state-sponsored retirement savings options — typically called Secure Choice plans — that could greatly increase the number of private-sector workers automatically enrolled in a retirement plan. These efforts may be slowed down or possibly stalled in the wake of the recent congressional action to roll back Obama administration rules that allowed these states to move forward. Another option, proposed by Kalamarides, would be to modify the existing framework for multiple employer plans (MEPs) to expand access for small employers and their employees.[24] This option, as Kalamarides and his colleagues note, would require relatively minor tweaks to existing law to minimize risks and regulatory burdens for smaller employers. One potential change, for example, would be to remove for smaller employers the requirement that all employers participating in a MEP be held responsible for adverse tax consequences resulting from noncompliance by one participant in a plan. Participants also discussed the potential of the federal myRA program,[25] a portable retirement savings vehicle that allows workers to use payroll deductions or direct deposits to make contributions into their accounts. Products such as these, said Summit participants, can be particularly helpful for low-income savers. "Low-income people can save," said Marissa Guananja, a program officer at the W.K. Kellogg Foundation. "People feel self-efficacy around the ability to save."

In addition to expanding coverage, another major priority discussed at the Summit was how to create new mechanisms for emergency savings that can complement and protect savings for retirement. For example, one option participants talked about was a flexible "sidecar" account that is connected to a worker's 401(k) plan but that can be accessed more easily and with fewer penalties. According to Summit participant Anne Lester, head of retirement solutions for JP Morgan Asset Management, one-quarter of Americans borrow from their 401(k) accounts every year, and the average amount of these loans is one-fourth the balance in a given worker's account. Lester also notes that workers paying back these loans typically stop contributing additional amounts to savings, setting themselves even further behind in their retirement planning. Many borrowers also default, resulting in taxes and penalties for an early withdrawal.

Greg Nelson, chief operating officer of the Parker Foundation, also pointed to a potentially promising wave of beneficial innovation that could help meet the need for emergency savings, mitigate the use of retirement savings as a day-to-day cash reserve, and protect households from debt. For example, Nelson said, startups such as Even[26] and Employee Loan Solutions[27] are helping workers manage volatility and avoid high-cost payday lending. Another potential area of financial innovation discussed at the Summit was the creation of insurance products to help protect workers' savings and assets in the event of a financial emergency. For example, Mark Greene, director of innovation and product development at CUNA Mutual Financial Group, said his firm has created a new SafetyNet division to offer private short-term unemployment insurance and other products for workers. The company's first product, a supplemental unemployment and disability policy for workers who lose their jobs or are injured, costs workers just $5 a month for a $1,500 lump-sum payout or $30 a month for a $9,000 benefit. "Think of it as 'peace of mind' insurance or even business interruption insurance where the business is you," wrote Next Avenue's Richard Eisenberg.[28]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CONCLUSION

In his groundbreaking book, The Great Risk Shift, political scientist Jacob Hacker documented the defining challenge today's workers face — the shifting of risk away from employers and government and onto the shoulders of individuals and households ill equipped to manage this burden. When defined-benefit pensions were the norm, companies, not workers, took on the risk of choosing investments, absorbing market shocks, and allocating the assets necessary to provide beneficiaries with a guaranteed income on retirement. But with the disappearance of these benefits and the prevalence of 401(k)s, these tasks and their attendant risks have become the responsibility of workers to manage. Likewise, with the unraveling of the safety net and disinvestment in workers and families, households must bear all the risks of a catastrophic shock to their economic well-being, such as a job loss or illness.

At the same time that working Americans are absorbing ever-greater risk — and greater peril to their financial well-being — they are reaping fewer and fewer rewards from economic growth, which are instead flowing disproportionately to top earners.

Reconnecting work and wealth will require a critical examination of the ways in which public policy, business practices, technology, and other factors have enabled this shift in risks and rewards and how to rebalance both in ways that restore income and asset-building opportunities for households. "We have to think differently about sharing risk than before," said Boshara. "Who bears the risk of owning assets? We've over-individualized that risk. A central idea of the 21st century compact is to pool the risk of asset loss, just as we now pool the risk of income loss."

The 2016 Economic Security Summit offered a chance both to reflect on the macroeconomic trends driving the disconnection of work and wealth and to consider specific ideas — such as portable benefits or new modes of savings accumulation and wealth management — that could reverse the diminution of wealth and opportunity. Participants recognized, however, that innovation alone will not enough to solve the structural and systemic problems creating a barrier to household financial security. An enduring solution will require major legislative and regulatory reforms — such as reforms to an "upside-down" tax code[29] that currently delivers most of its benefits to top earners and not enough for lower-income families and the middle class — that will require bipartisan leadership and commitment. While acknowledging the deep divides and polarization that mark our current fractured politics, participants also expressed long-term optimism about the potential for beneficial change.

The Summit also explored ideas that could contribute to a new, integrated approach to these issues that breaks down silos and encourages innovation. Through its multilayered, cross-sectoral approach, the Summit advanced a new conversation on the restoration of financial security for all Americans and the reconnection of work and wealth. By offering a novel way of considering not just individual policies that affect the economic fortunes of American families, but the intersection of these policies and their cumulative effects, the Summit served as an important starting point for a cross-cutting national discussion of an urgent priority for the country's future: how to promote financial stability and economic opportunity for American families.

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